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ZURICH LIFE INSURANCE COMPANY OF CANADA
ANNUAL REPORT FOR THE YEAR 1966

Board of Directors

CLEMENT A. BAINES	- - - - -	Toronto
NORMAN B. BELL	- - - - -	Toronto
JOHN H. BURGAR	- - - - -	Toronto
W. GORDON DAVISON, C.A.	- - - - -	Toronto
LLOYD C. GRISDALE, M.D.	- - - - -	Edmonton
IAN C. HART, Q.C.	- - - - -	Toronto
HON. FRANK J. HUGHES, Q.C.	- - - - -	Toronto
J. HOWARD KELLY, Q.C.	- - - - -	Calgary
W. LEO KNOWLTON, Q.C.	- - - - -	Toronto
KENNETH I. LITSTER	- - - - -	Toronto
JOHN W. MEDLAND	- - - - -	Toronto
GERALD G. RYAN, O.B.E.	- - - - -	Montreal

Directors' Report

for the

Year 1966

Your Directors have pleasure in presenting the annual report of the Company for the year ended December 31, 1966.

INSURANCES AND ANNUITIES

New business put in force in 1966 amounted to \$79,570,569. At December 31, 1966 the total amount of business in force was \$385,554,571. In addition there were in force annuity contracts providing for total annual payments to annuitants of \$161,710 as well as group annuity contracts providing for anticipated annual payments of \$362,533 at retirement.

INCOME

Total income for the year was \$9,661,890 of which \$6,105,169 was premium income and \$3,446,319 was net investment income. The net earned interest rate was 6.00%.

POLICY BENEFITS

Benefits to policyholders and beneficiaries amounted to \$5,103,399, comprising death and disability claims, matured endowments, annuities, dividends and surrender values.

ACTUARIAL RESERVE

The actuarial reserve held by the Company to meet the liabilities under its insurance and annuity contracts was increased by \$1,401,212 to \$46,477,875.

ASSETS

The total assets of the Company increased during the year by \$2,659,114 to \$61,003,874. At the end of the year the values authorized by the Department of Insurance of Canada exceeded the book values of the securities in the balance sheet by \$1,047,039 and this margin was in addition to the investment reserve of \$1,000,000.

SURPLUS

The unallotted general surplus was increased by \$455,997 to \$5,611,798.

Balance Sheet, December 31, 1966

		ASSETS	
INVESTED ASSETS		1966	1965 <i>for comparison</i>
Bonds and Debentures			
Government	- - - - - \$12,871,481		
Municipal	- - - - - 7,108,719		
Public Utility	- - - - - 3,729,942		
Other corporation	- - - - - 8,103,183	\$31,813,325	\$32,117,092
Stocks			
Preferred	- - - - - \$ 127,276		
Common	- - - - - 2,731,475	2,858,751	2,810,355
First mortgages on real estate	- - - - -	22,052,450	19,631,340
Real estate held for the production of income	- -	118,294	121,808
Collateral loan	- - - - -	—	979
Loans on policies	- - - - -	2,841,161	2,713,532
Cash on hand and in banks	- - - - -	55,994	79,480
		<u>\$59,739,975</u>	<u>\$57,474,586</u>
OTHER ASSETS			
Data processing equipment (at cost less amortization)	- - \$ 386,032		
Investment income, due and accrued	- - - - - 613,603		
Net outstanding premiums	- - - 213,823		
Sundry	- - - - - 50,441	1,263,899	870,174
Note: Invested assets are shown at cost or amortized value, less amounts written off from time to time, and the aggregate value does not exceed the value prescribed under The Canadian and British Insurance Companies Act 1932.		<u>\$61,003,874</u>	<u>\$58,344,760</u>

Approved on behalf of the Board.

C. A. BAINES, Director.

W. L. KNOWLTON, Director.

AUDITORS' REPORT TO THE POLICYHOLDERS AND SHAREHOLDERS

We have examined the balance sheet of Zurich Life Insurance Company of Canada as at December 31, 1966 and the statements of revenue, general surplus and shareholders' surplus for the year ended on that date. We have obtained all the information and explanations required.

Our examination included a general review of the accounting procedures of the Company and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances. We have accepted the certificate of the Company's Actuary

LIABILITIES			
POLICY RESERVE		1966	1965 <i>for comparison</i>
Actuarial reserve for insurance and annuity contracts - - - - -		\$46,477,875	\$45,076,663
AMOUNTS ON DEPOSIT			
Policy proceeds, dividends and other amounts - -		3,318,008	3,103,326
OTHER OBLIGATIONS TO POLICYHOLDERS AND BENEFICIARIES			
Benefits in course of payment and provision for unreported death claims - - - - -	\$ 836,969		
Premiums received in advance - -	16,624		
Dividends to policyholders due but unpaid - - - - -	2,699	856,292	603,911
PROVISIONS FOR DIVIDENDS TO POLICYHOLDERS			
Dividends to policyholders payable in 1967 - - - - -	\$ 1,711,443		
Other accrued profits to policyholders - - - - -	43,281	1,754,724	1,759,836
OTHER LIABILITIES			
Commissions due and accrued -	\$ 41,062		
General and investment expenses due and accrued - - - - -	64,661		
Taxes on premiums and income -	39,001		
Bank advances - - - - -	265,815		
Sundry liabilities - - - - -	74,309	484,848	204,575
STAFF PENSION AND INSURANCE FUNDS - - - -		1,023,409	965,735
ADDITIONAL PROTECTION FOR POLICYHOLDERS AND BENEFICIARIES			
Reserve for general contingencies	\$ 200,000		
Investment reserve - - - - -	1,000,000		
General surplus - - - - -	5,611,798		
Capital stock paid up \$200,000			
Shareholders' surplus - 76,920	276,920	7,088,718	6,630,714
		<u>\$61,003,874</u>	<u>\$58,344,760</u>

as to the amount and sufficiency of the Staff Pension Fund, the policy reserve and certain other obligations to the policyholders and beneficiaries.

In our opinion, the accompanying balance sheet and statements of revenue, general surplus and shareholders' surplus present fairly the financial position of Zurich Life Insurance Company of Canada as at December 31, 1966, and the results of its operations for the year ended on that date, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
January 20, 1967.

SHERWOOD C. WALTERS & CO.,
Chartered Accountants.

Statement of Revenue and General Surplus

	1966	1965 <i>for comparison</i>
REVENUE		
Premiums and annuity considerations - - - -	\$ 6,105,169	\$ 5,963,261
Net investment income - - - - -	3,446,319	3,214,148
Considerations for settlement annuities - - - -	53,015	41,022
Contributions and grants to staff pension and insurance funds - - - - -	50,919	76,967
Net profit on sale of securities - - - - -	4,963	31,618
Currency exchange - - - - -	1,505	954
	<u>\$ 9,661,890</u>	<u>\$ 9,327,970</u>
AMOUNTS PAID OUT OR SET ASIDE		
For policyholders and beneficiaries:		
Death and disability benefits - \$ 1,423,673		
Matured endowments and cash surrenders - - - - -	2,852,178	
Annuities - - - - -	103,838	
Dividends - - - - -	723,710	
Increase in actuarial reserve - 1,401,212	\$ 6,504,611	\$ 6,283,451
Payments under settlement annuities, interest on amounts left on deposit and other interest - -	243,552	213,181
Payments from staff pension, insurance and retiring allowance and agents' pension funds and increase therein - - - - -	105,680	127,516
Expenses:		
Commissions - - - - - \$ 477,701		
Head Office, agency and other expenses - - - - -	1,707,762	
Directors' fees - - - - -	7,967	
Premium taxes - - - - -	88,846	
Other taxes, licences and fees - 28,900	2,311,176	2,048,511
Amount written off book value of securities - -	4,963	31,618
	<u>\$ 9,169,982</u>	<u>\$ 8,704,277</u>
TRANSFERRED TO GENERAL SURPLUS - - - - -	491,908	623,693
General surplus, beginning of year - - - - -	5,155,801	4,567,995
	<u>\$ 5,647,709</u>	<u>\$ 5,191,688</u>
Transferred to shareholders' surplus - - - - -	35,911	35,887
GENERAL SURPLUS, END OF YEAR - - - - -	<u><u>\$ 5,611,798</u></u>	<u><u>\$ 5,155,801</u></u>

STATEMENT OF SHAREHOLDERS' SURPLUS

SHAREHOLDERS' SURPLUS, BEGINNING OF YEAR - -	\$ 74,913	\$ 72,936
Transferred from general surplus - - - - -	35,911	35,887
	<u>\$ 110,824</u>	<u>\$ 108,823</u>
Provision for taxes on income - - \$ 7,904		
Dividends declared and paid - - 26,000	33,904	33,910
SHAREHOLDERS' SURPLUS, END OF YEAR - - -	<u><u>\$ 76,920</u></u>	<u><u>\$ 74,913</u></u>

Officers of the Company

W. LEO KNOWLTON, Q.C.	- - - - -	Chairman of the Board
C. A. BAINES	- - - - -	President
R. N. MACKINTOSH	- - - - -	Vice-President and General Manager
G. R. WALLACE, B.A., F.S.A., F.C.I.A.	- - - -	Assistant General Manager
G. P. WINSHIP	- - - - -	Secretary and Treasurer
J. HUNTER, F.F.A., F.S.A., F.C.I.A.	- - - - -	Vice-President
D. A. LOGIE, M.A., F.F.A., F.C.I.A., A.S.A.	- - - -	Actuary
D. F. HOWE, F.I.A., F.C.I.A.	- - - - -	Assistant Actuary
V. B. HANKEY, M.A.	- - - - -	Assistant Secretary
R. E. SIEMMS, F.L.M.I.	- - - - -	Assistant Secretary



MEDICAL REFEREE

E. CLARK NOBLE, O.B.E., E.D., M.A., M.B., M.R.C.P. (London)

THE PRESIDENT'S ADDRESS TO THE ANNUAL MEETING FEBRUARY 8, 1967

It is my pleasure, as President of Zurich Life Insurance Company of Canada, to welcome you to the Annual Meeting of the Company.

I am sure you will concur, as I outline the results for the year 1966, that our business has again continued to grow and expand in a manner consistent with our objectives.

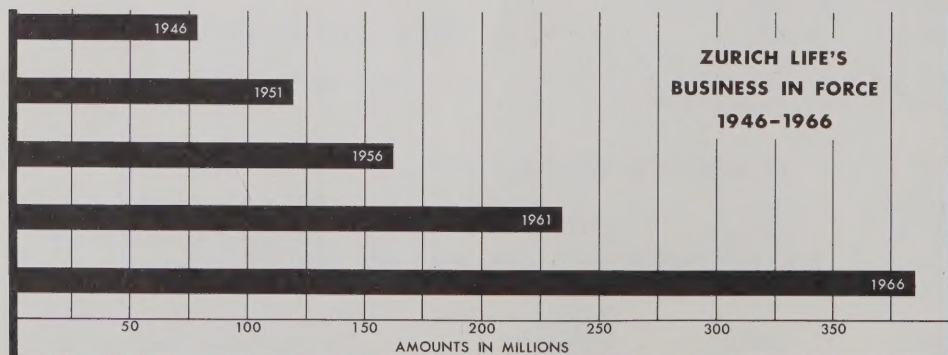
THE YEAR'S BUSINESS ACTIVITIES

New business put in force during the year 1966 amounted to \$79,570,569, as compared to \$46,445,747 in the year 1965. This represents an increase in new business put in force of 71%. I must, however, point out that a part of this very substantial increase was due to a single large group policy written during the year. Exclusive of that policy, the increase amounted to 24%.

Sales of individual annuity contracts continued at a high level during the year 1966. As a result, the increase in the annual payments provided under individual annuity contracts amounted to \$40,054 in the year 1966, representing a percentage gain of 33% of all payments in force. It is interesting to note that many of the new contracts represent Registered Retirement Savings Plans being transferred to us from other funding media, in order that the desired annuities may be provided in accordance with the law.

The amount of business in force increased from \$327,858,860 at the end of 1965 to \$385,554,571 at the end of 1966.

The Company continued to experience favourable mortality in 1966, although the results in this area were not as good as was experienced during the



exceptional year of 1965. Our mortality studies indicate that the rate of mortality has been virtually constant for some years now, and, as a result, we do not look for any substantial improvement in the near future.

During 1966, benefits paid to policyholders and beneficiaries amounted to \$5,108,511 as compared to \$4,037,207 in 1965. Of this amount \$3,694,602 or 72% of the total was paid to living policyholders. I feel this provides an excellent illustration of the advantages of cash value life insurance. During a year of severe credit stringency, our policyholders were able to obtain, through the medium of cash value life insurance, the funds which, to many of them, were essential to their business and personal needs.

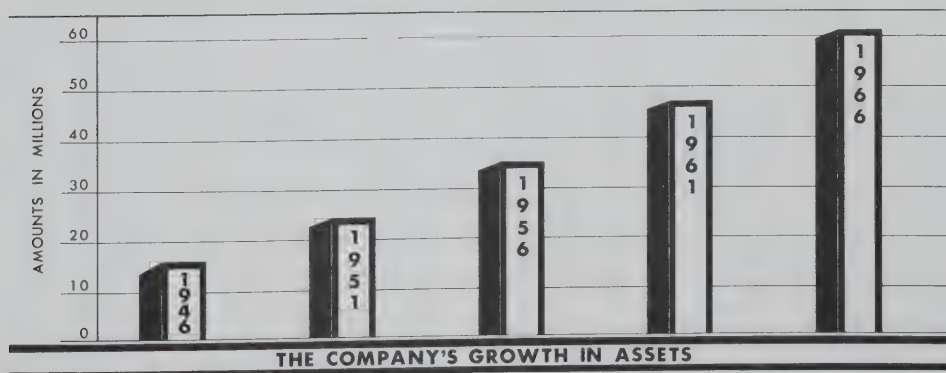
In September of 1966, our IBM/360 Model 30 electronic data processing system has been delivered to us. Steady progress has been made in converting various operations to the new computer and it is expected that this part of the programme will be completed early in 1967. It is intended to move at a later

date to a consolidated functions operation.

A large group of policyholders is already deriving benefit from the acquisition of the computer. Prior to 1960, the participating policies issued by the Company provided for the allotment of dividends every five years, a system which enabled administrative costs to be kept within reasonable limits in pre-mechanization days. Since 1960, the participating policies issued by the Company have been on the annual dividend system. The high-speed computer now makes it possible to extend, at reasonable cost, the benefits of annual allotment of dividends to all participating policyholders, and in 1967 the pre-1960 quinquennial dividend policies will be converted to the annual dividend system.

INVESTMENTS

At the end of 1966, the Company's total assets amounted to \$61,003,874, an increase of 4.6% during the year. I am extremely pleased to report that, in spite of the fact that bond and stock



prices experienced a significant decline during the year, the values of the securities shown in our Balance Sheet as at December 31, 1966 were \$1,047,039 less than the values authorized by the Department of Insurance of Canada. This margin was in addition to our investment reserve of \$1,000,000, which, of course, we did not need to encroach upon.

For 1966, the net rate of interest earned by the Company on its funds amounted to 6.00% as compared to 5.86% in the preceding year. It is interesting to note that in the entire history of the Company, the net rate of interest earned on its investments was as high as 6% in only three other years, the last being 1927.

Our investment policy continued to be actively directed to obtaining the largest return on investments consistent with the utmost security of the funds entrusted to the Company by its policyholders. Developments of the past few months have demonstrated the wisdom of pursuing such a policy.

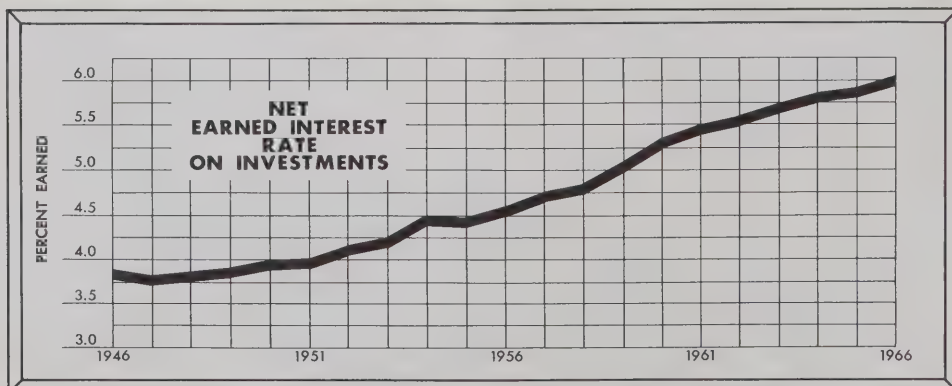
At the end of 1966, the percentage distribution of the Company's assets was as follows:

	%
Bonds and Debentures - - -	52.15
Preferred Stocks - - - -	.21
Common Stocks - - - -	4.48
First Mortgages on Real Estate - - - - -	36.15
Real Estate for Production of Income - - - - -	.19
Loans on Policies - - - -	4.66
Cash in Banks and on Hand	.09
Other Assets - - - - -	2.07
	<hr/> 100.00

Included in the item "Other Assets" is the purchase price of the electronic computer which I referred to previously, less a write-off of one-sixth of the purchase price in accordance with an amortization programme which has been approved by the Department of Insurance.

STRENGTH AND SECURITY

Policy reserves amounting to \$46,-477,875 were held at the end of 1966. Additional protection for policyholders and beneficiaries amounted to \$7,088,-



718, equal to 11.6% of total liabilities, demonstrating the financial strength of the Company and the security enjoyed by its policyholders.

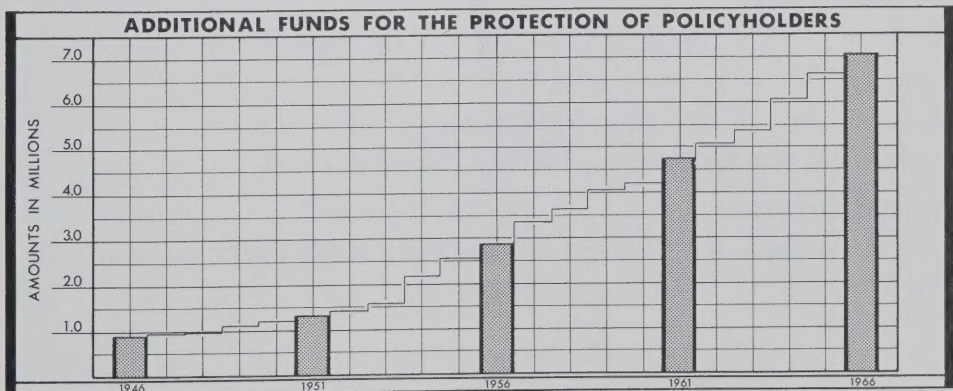
FUTURE PLANS

Turning now to the future, our principal preoccupation remains the development of a highly-skilled sales force trained to give the best possible service to Canadians in all walks of life by providing informed advice, taking into account the particular circumstances of each individual. In 1966 a programme was instituted with the aim of providing life insurance service through many of the agency connections of Zurich Insurance Company. This programme, which is designed to parallel the services of the full-time career life underwriters operating out of the Company's well-located branch offices, has already produced gratifying results and it is our intention to pursue it vigorously. At the end of 1966, the number of agents representing Zurich Life was 52% higher than at the end of 1965.

Towards the end of 1966, the Zurich group in Canada acquired a modern office building situated at a fine location on University Avenue in Toronto. Part of that building will accommodate the Head Office of Zurich Life, providing suitable office space in the near future with ample provision for expansion as required.

At last year's Annual Meeting I referred to the "Man and His Health" exhibit at Expo '67 being sponsored by this and other life insurance companies through the Canadian Life Insurance Association. As construction has progressed, it has become increasingly clear that a visit to that exhibit should be a most rewarding experience which I hope many of our policyholders will be able to enjoy.

In conclusion, I should like to offer sincere thanks to the Officers, the agency force and the staff for the contributions which they made in 1966. With their continued loyal support we can look forward with confidence to the future.



Branch Offices

ATLANTIC PROVINCES

HALIFAX — One Sackville Place, Halifax, N.S.

QUEBEC

QUEBEC — Chambre 407, Place Laurier, 2700 Boulevard Laurier, Ste. Foy, P.Q.

SHERBROOKE — Room 317, Central Building, 31 King Street West, Sherbrooke, P.Q.

MONTREAL — Place Cremazie, Suite 630, 110 Cremazie Boulevard West, Montreal 11, P.Q.

ONTARIO

GUELPH — 89 Wyndham Street North, Guelph, Ontario.

HAMILTON — 370 Main Street East, Hamilton, Ontario.

LONDON — 371-9 King Street, London, Ontario.

OTTAWA — Suite 1014, 208 Albert Street, Ottawa, Ontario.

ST. CATHARINES — Niagara Peninsula Shopping Centre, Glendale Avenue, St. Catharines, Ont.

SCARBOROUGH — Parkway Plaza, Victoria Park & Ellesmere Road, Scarborough, Ontario.

SUDBURY — Box 334, Suite 406 Woolworth Building, Sudbury, Ontario.

TIMMINS — 264 Third Avenue, Timmins, Ontario.

TORONTO GLENCAIRN — Suite 300, 2788 Bathurst Street, Toronto 19, Ontario.

TORONTO KINGSWAY — 3232 Bloor Street West, Toronto 18, Ontario.

WINDSOR — Suite 208, Concord Building, 1015 University Avenue West, Windsor, Ontario.

MANITOBA

WINNIPEG — 383 York Avenue, Winnipeg 1, Manitoba.

SASKATCHEWAN

REGINA — Suite 203, Westman Building, 1791 Rose Street, Regina, Saskatchewan.

ALBERTA

CALGARY — 1304 - 4th Street S.W., Calgary, Alberta.

EDMONTON — Main Floor, One Thornton Court, Edmonton, Alberta.

BRITISH COLUMBIA

VANCOUVER — Room 501, Royal Bank of Canada Bldg., 796 Granville St., Vancouver 2, B.C.

VANCOUVER ISLAND — 1137 Yates Street, Victoria, B.C.

ZURICH LIFE INSURANCE COMPANY OF CANADA

HEAD OFFICE: TORONTO